BANK OF CANADA
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Senior Loan Officer Survey

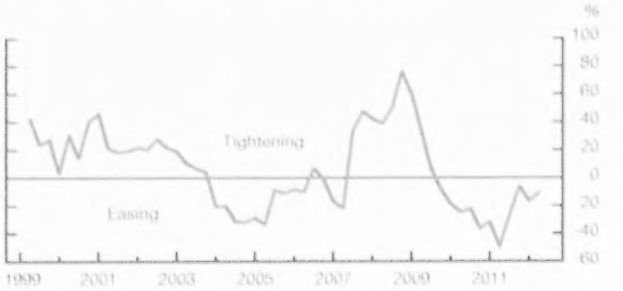
on Business-Lending Practices in Canada — Results of the Second-Quarter 2012 Survey | Vol. 5-2 | 9 July 2012

This *Senior Loan Officer Survey* (SLOS) focused on changes to business-lending practices in the second quarter of 2012.

- The survey results point to an overall easing in business-lending conditions during the second quarter of 2012, although the degree of consensus on easing has moderated since the previous survey (**Chart 1**). Both the price and non-price aspects of business lending eased during the quarter (**Chart 2**). Note that the balance of opinion indicates only the direction of the change in lending conditions; it does not provide information on the magnitude of the change.
- According to responses from senior loan officers, price and non-price lending conditions continued to ease across all borrower categories. This was most evident for corporate borrowers and small businesses, which experienced an easing in overall lending conditions for the twelfth and seventh consecutive quarters, respectively. For commercial borrowers, lending conditions eased for the ninth quarter in a row.
- Respondents continued to consider competition among lenders as the key factor underlying the easing in business-lending conditions.
- The balance of opinion regarding the demand for credit from financial institutions increased during the second quarter. The net increase was mostly related to a rise in the demand for financing for general purposes. Increased financing requirements for mergers and acquisitions were also cited for corporate borrowers.

Chart 1: Senior loan officers reported an easing in lending conditions for Canadian non-financial firms…

Overall business-lending conditions: Balance of opinion[a]



a. The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions. Thus, a positive balance of opinion implies a net tightening. The chart shows the average of the balances of opinion for the price and non-price dimensions of lending conditions.

Chart 2: …in both price and non-price terms

Price and non-price lending conditions: Balance of opinion[a]

a. The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions.

Note: Each series is the simple average of the balances of opinion for the small business, commercial and corporate sectors.

The *Senior Loan Officer Survey* collects information on the business-lending practices of major Canadian financial institutions. In particular, the survey gathers the perspectives of respondents on price and non-price terms of business lending and on topical issues of interest to the Bank of Canada. The survey is conducted quarterly, near the end of the quarter for which the results are reported. The second-quarter survey was conducted between 11 and 15 June 2012. Additional information on the survey is available on the Bank of Canada's website.

The survey results summarize opinions expressed by the respondents and do not necessarily reflect the views of the Bank of Canada.

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